

the quarter

newsletter of the pennsylvania department of banking and securities



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Office of the Secretary of Banking and Securities



A Level Playing Field for Everyone

By **Robin L. Wiessmann**
Acting Secretary of Banking and Securities

Throughout my career as a public finance professional, I have worked to fund projects related to infrastructure, schools, and hospitals. My work has created links and strengthened bonds between Main Street in Pennsylvania and Wall Street through the development and implementation of financing plans, credit analysis, securities, and regulatory practices.

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Governor Wolf Proclaims April as "Financial Education Month"

In recognition that financial education is necessary to help Pennsylvanians learn how to take control of their financial futures, Governor Tom Wolf has proclaimed April to be "Financial Education Month" in Pennsylvania.



CYBERsection: How Can You and Your Employees Combat Cyber Crime?

These helpful tips can help keep information safe in the workplace

[Learn more](#)



Investor Education
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A Level Playing Field for Everyone

by **Robin L. Wiessmann**, Acting Secretary

I am very grateful that Governor Tom Wolf gave me the opportunity to return to public service as Pennsylvania's Secretary of Banking of Securities.

Throughout my career as a public finance professional, I have worked to fund projects related to infrastructure, schools, and hospitals. My work has created links and strengthened bonds between Main Street in Pennsylvania and Wall Street through the development and implementation of financing plans, credit analysis, securities, and regulatory practices.

My roots in finance are planted firmly in commercial banking. I am a proud graduate of the management training program at Philadelphia National Bank, where I focused on commercial lending and real estate.

I also served as a Deputy Director of Finance for the City of Philadelphia, where I managed the city's debt offerings, and I was a Vice President of Public Finance at Goldman Sachs, managing business development for the mid-Atlantic region and serving large, high-profile clients nationally.

I was Founding Principal and President of Artemis Capital Group, the first women-owned investment banking firm on Wall Street. Before Artemis was successfully acquired by RBC Dain Rauscher, our firm joined the rankings among the top 10 municipal underwriters with regard to deal volume.

Some of you may know or recall me in Harrisburg previously from my time as State Treasurer from 2007-2009.

Since taking on my duties in January, I have learned up-close what many of you already know: our dedicated and professional staff are serious about providing high-quality service to the Pennsylvania business community and protecting the interests of consumers and investors.

Looking forward, I am dedicated to ensuring our department supports Governor Wolf's agenda: "Jobs that pay. Schools that teach. And government that works":

- Our work with the business community helps ensure the integrity of our financial services marketplace and a level playing field for everyone – which makes Pennsylvania an attractive destination for financial transactions, businesses, and the jobs that come with them;
- Our department's Investor Education and Consumer Outreach program helps educate Pennsylvanians of all ages to make good decisions with their money; and
- The department is one of the finest state regulators in the country, and I am grateful for the strong foundation laid by my predecessors, including Glenn Moyer and Steve Kaplan, and I look forward to continuing their work. *continued >*





Amidst the rush of budget hearings and the confirmation process, I am still learning about the work of the department. However, I can state that among our highest priorities are addressing the ongoing challenges of financial risk management, the continuing evolution of financial products, and, especially, cybersecurity.

We at the department have been very active in combating the threat of cybersecurity, including forming our own cybersecurity task force, which you can read about on Page 6.

In the coming weeks and months, I look forward to meeting many of you, and learning more about the important work you do in our commonwealth and in your communities.

Connect with DoBS Using New Social Media Tools

The Department of Banking and Securities has joined Twitter and LinkedIn, and launched a Facebook for the agency (in addition to its well-established PA Investor Education Facebook).

Stay informed via our social media outlets.



Like PA Investor Education



Like PA Banking and Securities



Link with PA Banking and Securities



Follow PA DoBS

"One of Governor Tom Wolf's top priorities is creating a government that works," said Acting Secretary of Banking and Securities Robin L. Wiessmann. "By using social media, the Department of Banking and Securities is making itself more transparent and available to all Pennsylvanians."

CFPB Considers Rules for Payday and Other Types of Lending

The federal Consumer Financial Protection Bureau (CFPB) has announced that it is considering proposing rules that would require lenders to take steps to make sure consumers can repay their loans. The proposals would cover:

- Payday loans
- Deposit advance products
- Vehicle title loans
- High-cost installment loans
- Open-end lines of credit and other loans

The proposed rules also address debt collection practices by:

- Requiring borrower notification before accessing deposit accounts; and
- Limiting unsuccessful withdrawal attempts that lead to excessive deposit account fees.

As the next step in the rulemaking process, the CFPB has published an outline of the proposals under consideration to gather feedback from stakeholders. An outline of the proposals under consideration is available [here](#).

Governor Wolf Proclaims April as “Financial Education Month”

In recognition that financial education is necessary to help Pennsylvanians learn how to take control of their financial futures, Governor Tom Wolf has proclaimed April to be “Financial Education Month” in Pennsylvania.

“Financial education plays a critical role in the security and stability of all Pennsylvanians,” Wolf said. “The efforts of institutions and agencies in improving financial literacy among our citizens is important to ensure that consumers of all ages can protect and grow their hard-earned money in an increasingly complex marketplace.”



Governor Wolf’s “Schools That Teach Tour” stops at Ebenezer Elementary School in Lebanon County

Wolf praised several Pennsylvania initiatives aimed at promoting financial education and literacy, including:

- Pennsylvania’s banks, which will be participating in “Teach Children to Save Day” on April 24;
- Pennsylvania’s credit unions, which are participating in “National Credit Union Youth Month,” celebrated April 1-30;
- The Department of Banking and Securities, through its Investor Education and Consumer Outreach program, as well as its Consumer Services office, which assist Pennsylvanians to make informed decisions on financial matters, and present educational programs on investment principles as well as ways consumers can protect their money;
- The PA Department of Education and Penn State University, which have partnered to offer financial education materials and training to schools;
- The PA Higher Education Assistance Agency, which provides high school students and their families resources on student debt awareness and college planning through its MySmartBorrowing.org website;
- The PA Housing Finance Agency, which provides programs and services for Pennsylvania renters, homebuyers, and homeowners that enable them to strengthen their financial foundation and build a sound financial future; and
- The Pennsylvania Jump\$tart Coalition for Personal Financial Literacy, which is working to improve financial education in kindergarten through 12th grade.

New Bond Form Required for NMLS Licenses

All non-bank licensees are required to submit a new bond form in 2015. If your license is managed by NMLS, you need to have the new bond form submitted to the department by April 30, 2015. The bond form is available [here](#). If you have questions about the new bond form, contact us at ra-asklicensing@pa.gov.



Mortgage Lenders Honored for Achievements

Employees with Mortgage America accept their award citing their company for closing the most loans with the Pennsylvania Housing Finance Agency in 2014. The award was part of an April 7 recognition event held at PHFA's Harrisburg office to thank its top lending partners. PHFA works through approved lenders statewide to market its affordable mortgage loans to Pennsylvania homebuyers. Presenting the award is Acting Secretary of Banking and Securities and PHFA Chairperson Robin L. Wiessmann (third from left) and PHFA Executive Director and CEO Brian Hudson (far right).



2015 COMMONWEALTH HOUSING FORUM

MAY 7

Only \$169

Mortgage Bankers Continuing Education Credit Classes

Walk-Ins Permitted

8:00 AM to 5:00 PM
(Registration opens at 7:15 AM)

Featured Topics:

- Observation and Analysis: A Review of the New Integrated Disclosures
- Privacy and Consumer Protection: Ethical Considerations for Mortgage Professionals
- Comparing and Contrasting Traditional and Nontraditional Mortgages
- 1-Hour Pennsylvania State-Specific Law

Temple University | Strawberry Square
Harrisburg | PA

Registration includes:

- 8 hours of NMLS-approved CE credit by TrainingPro
- Morning and afternoon snacks
- PHFA's Thursday evening networking event at the Hilton Harrisburg
- Parking included

Register now at PHFA's Forum Webpage, here



CYBERsection

SECURITY

How Can You and Your Employees Combat Cyber Crime?

These helpful tips can help keep information safe in the workplace:

Change your passwords regularly and try to use different systems.

Do NOT give any of your usernames, passwords, or other computer/website access codes to anyone.

Do NOT open emails, links, or attachments from unknown sources.

Do NOT install or connect any personal software or hardware without permission.

Make electronic and physical back-ups or copies of all your important work.

Report ALL suspicious or unusual activity



PA Military Finance Alliance Workshop

PA Banking and Securities Investor Education and Consumer Outreach staff joined with colleagues of the PA Military Finance Alliance on April 11 at Letterkenny Army Depot to present another "Making Sense of Finance" workshop to assist active military, veterans, and their families with the distinctive financial challenges they face.



Debt Management Licensees Continuing Education Update

A new regulation mandating continuing education for licensees under the Debt Management Services Act (DMSA) took effect in January. The regulation requires these licensees to complete a minimum of 16 continuing education units every two years, beginning with license renewal in 2016. Education units must meet the following criteria:

- The continuing education units shall be earned through a registered certifying organization; located [here](#) on the DoBS site.
- A minimum of one of the 16 continuing education units must relate to ethics; and
- The continuing education units that do not relate to ethics must address topics associated with consumer education programs as defined in the [DMSA](#) [PDF].

At license renewal, DMSA licensees will be required to demonstrate compliance with these requirements. More information on this requirement can be found in this [Secretary's Letter of March 20, 2015](#) [PDF].



COMPLIANCE CORNER

1st Quarter 2015 Enforcement Orders

The Department of Banking and Securities issued nine enforcement orders during the first quarter of 2015. Final orders included fines and assessments of **\$221,875**, including:

- One Consent Agreement and Order issued for violations of the Pennsylvania Securities Act of 1972;
- Two Consent Agreement and Orders issued for violations of the Motor Vehicle Sales Finance Act;
- Two Consent Agreement and Orders issued for violations of the Money Transmitter Act;
- One Consent Agreement and Order issued for violations of the Mortgage Licensing Act;
- Two Consent Agreement and Orders issued for violations of the Consumer Discount Company Act; and
- One Consent Agreement and Order issued for violations of the Debt Management Services Act.

Comprehensive lists of enforcement orders administered by the Department of Banking and Securities are available online at www.dobs.pa.gov. Consumers, businesses and investors can make inquiries or file a complaint against any company or individual regulated or licensed by the Department of Banking and Securities online or by calling **1-800-PA-BANKS** (800-722-2657).



Final Basel III Capital Rule—Less Impact on Community Banks

by Federal Reserve Bank of St. Louis

In early July 2013, the Federal Reserve Board of Governors, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corp. approved the final Basel III risk-based capital rule. This rule aims to improve the quality and quantity of capital for all banking organizations.

For community banking organizations, the rule in final form provides some relief from the initial proposal in three important areas: residential mortgage exposure, accumulated other comprehensive income (AOCI) and grandfathered capital instruments.

Community banking organizations first become subject to the final Basel III rule on January 1, 2015. Thereafter begins a phase-in period through Jan. 1, 2019.

Key Changes from the Proposed Capital Rule that Affect Community Banks

Residential Mortgage Exposure: The proposed rule called for higher risk weights applied to certain residential mortgage exposures. None of the proposed changes are found in the final rule. Thus, remaining unchanged is the 50 percent risk weight for prudently underwritten first-lien mortgage loans that are not past due, reported as nonaccrual or restructured, and a 100 percent risk weight for all other residential mortgages. Similarly, the new rule does not change the current exclusions from the definition of credit-enhancing representations and warranties.

Accumulated Other Comprehensive Income (AOCI) Filter: The initial proposal would have included most AOCI components in regulatory capital. In the new rule, community banking organizations are given a one-time option to filter certain AOCI components, similar to current treatment. The AOCI opt-out election must be made on the institution's first regulatory report filed after Jan. 1, 2015.

Grandfathered Capital Instruments and Tier 1 Capital: The initial proposal would have required trust preferred securities and cumulative perpetual preferred stock to be phased out of tier 1 capital. The new rule exempts depository institution holding companies with less than \$15 billion in total consolidated assets as of Dec. 31, 2009, or organized in mutual form as of May 19, 2010, from this requirement. Grandfathered capital instruments, consistent with current treatment, are limited to 25 percent of adjusted tier 1 capital elements.

Major Changes from the Existing Basel I Capital Rule

The new rule implements higher minimum capital requirements and emphasizes the use of common equity through the introduction of a new capital ratio: common equity tier 1 (CET1). In addition, the new rule establishes stricter eligibility for capital instruments included in CET1, additional tier 1 capital or tier 2 capital. In addition, the rule introduces the requirement of a capital conservation buffer, beginning on January 1, 2016, and ending on January 1, 2019. Banking organizations without other supervisory issues that wish to distribute capital freely must maintain the buffer. Tables 1 and 2 compare current treatments versus final capital rule treatments. *continued (Tables on next page) >*



Final Basel III Capital Rule Continued

Table 1

Minimum Capital Standards

	Current Minimums	Final Rule		
		Minimum	Buffer	Total
Common equity tier 1 capital (CET1) ratio	N/A	4.5%*	2.5%	7.0%
Tier 1 capital ratio	4%	6.0%*	2.5%	8.5%
Total capital ratio	8%	8.0%*	2.5%	10.5%
Leverage ratio	4%	4.0%*	N/A	N/A

* Please note when the new capital rule is fully phased in, the minimum capital requirements plus the conservation buffer will exceed the prompt corrective action well-capitalized thresholds below. This 0.5-percentage-point cushion allows institutions to dip into a portion of their capital conservation buffer before reaching a status that is considered less than well capitalized for prompt corrective action purposes.

Table 2

Prompt Corrective Action Well-Capitalized Thresholds

	Current Treatment	Treatment in Final Rule*
Common equity tier 1 capital (CET1) ratio	N/A	≥6.5%
Tier 1 capital ratio	≥6.0%	≥8.0%
Total capital ratio	≥10.0%	≥10.0%
Leverage ratio	≥5.0%	≥5.0%

* Conservation buffer is included in the above standards reflective of the final transition date of January 1, 2019.



AOCI Opt-Out Election Update

The Department of Banking and Securities has issued a Deputy Secretary’s letter regarding AOCI opt-out election on the March 31, 2015, Call Report for state-chartered banks, bank and trust companies, and savings banks. An institution that is not an advanced approaches institution must choose to either opt out or not opt out of the requirement to include most components of AOCI in common equity Tier 1 capital. The election is irrevocable. Please review the Deputy Secretary’s letter [[here](#), PDF] for important information.

New Chief Counsel Named



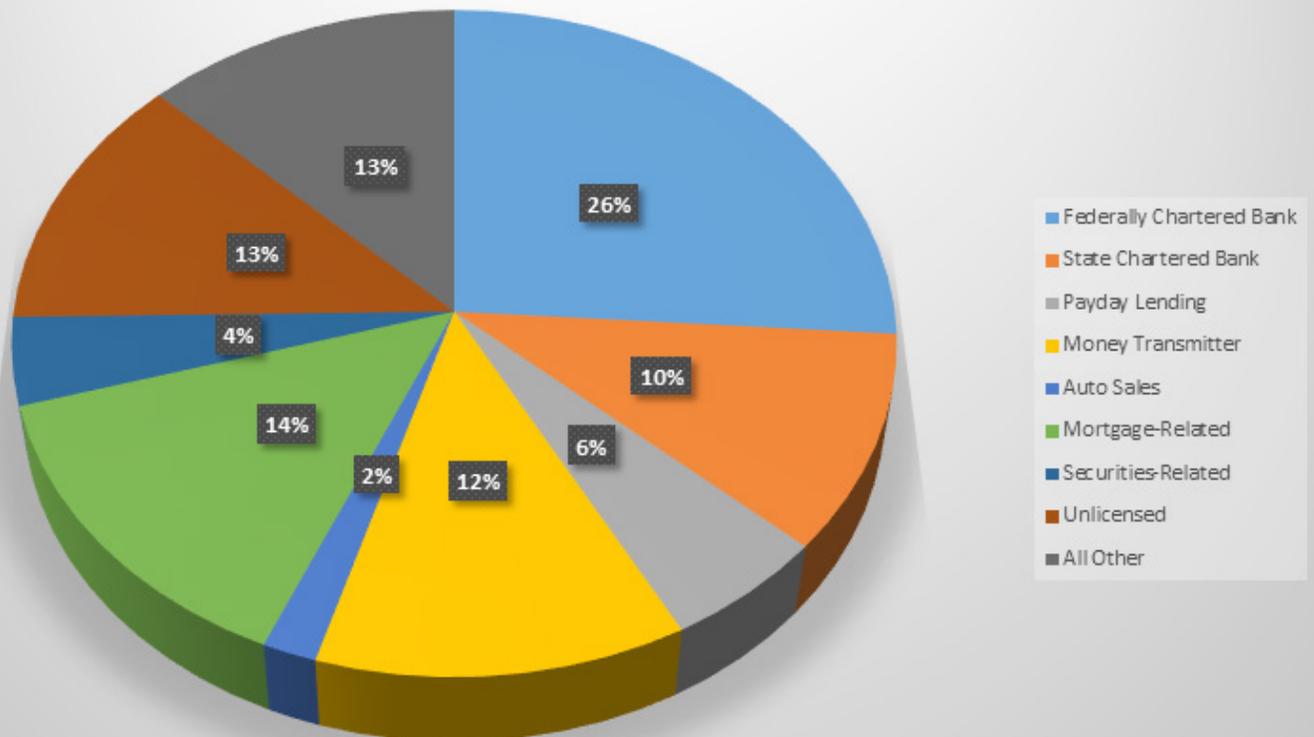
Leo Pandeladis has been named new Chief Counsel for the Department of Banking and Securities. Previously, he served as the Director of Enterprise Compliance with the Pennsylvania Higher Education Assistance Agency (PHEAA), and prior to that, served as the Chief Counsel for the Pennsylvania State System of Higher Education (PSSHE). He joined the department with 17 years of experience in state government, including the Department of State, Office of General Counsel, Office of Inspector General, Department of Agriculture, and the Treasury Department, in addition to PHEAA and PSSHE. He is a graduate of the University of Pittsburgh and earned his law degree from Duquesne University School of Law.

Changes to Title 20 Affect Depository Institutions, Deceased Customers, and Funeral Homes

The department has become aware that some banks, credit unions, and savings associations may be unaware of changes to Title 20 of Pennsylvania’s Probate, Estates and Fiduciaries Code made by Act 35 of 2013. The amended Title 20 (Chapter 31, Subchapter A, Section 2101b) increases from \$3,500 to \$10,000 the amount these institutions are directed to pay on demand to family members who present a paid bill or affidavit of payment from a licensed funeral director for services rendered on behalf of a deceased depositor, member, or certificate holder. More information [here](#).

RESEARCH QUARTER

**Consumer Inquiries and Complaints
FY 2013-2014**
(Total Received = 5,918)



Data Source: PA Department of Banking and Securities